Roosevelt and the New Deal
1933–1941

SECTION 1 The First New Deal

SECTION 2 The Second New Deal

SECTION 3 The New Deal Coalition

1933
- Unemployment peaks at 24.9%
- FDR’s “100 Days” results in 9 new federal programs

1934
- Securities and Exchange Commission is created

1935
- Social Security Act and Wagner Act are passed
- Supreme Court strikes down NIRA

During the 1932 presidential campaign, New York governor Franklin D. Roosevelt greets a coal miner in West Virginia.

Hoover 1929–1933
Franklin D. Roosevelt 1933–1945

1931
- Canada creates minimum wage and unemployment insurance

1933
- Hitler becomes German chancellor
- World Economic Conference fails to reduce tariffs

1935
- Hitler denounces Treaty of Versailles
- Canada creates minimum wage and unemployment insurance
MAKING CONNECTIONS

Can Government Fix the Economy?

During the 1930s, New Deal programs increased government regulation of banking, industry, and farming; gave greater rights to workers; and provided government aid to the unemployed and senior citizens.

• What kind of problems do you think government can solve?
• What difficulties can result when the government tries to regulate the economy?

Analyzing Long-Term Effects

Make a Folded Chart Foldable showing major New Deal programs and their long-term effects. In one column, describe the program’s original purpose. In the second column, identify how those programs still influence government and society today.

1936
• "Court-packing" plan creates controversy
1937
• Sit-down strikes force General Motors to recognize UAW
1938
• Fair Labor Standards Act sets minimum wage and 40-hour workweek
1939
• World War II begins

1936
• Wave of sit-down strikes in France leads to 40-hour workweek
• Spanish Civil War begins
1937
• Germany annexes Austria
• Mexico takes control of U.S. oil companies in Mexico
1938
• World War II begins

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Franklin Delano Roosevelt was elected president in 1932, following his promise of a “new deal” for Americans. In his first 100 days in office, he let loose a flood of legislation designed to rescue banks, industry, and agriculture and provide jobs for the unemployed.

Roosevelt’s Rise to Power

**Main Idea** Franklin D. Roosevelt was governor of New York when he was elected president in 1932, promising a New Deal for the American people.

**History and You** Do you believe your past experiences can make you stronger? Read how FDR’s experiences helped prepare him to be president.

A distant cousin of Theodore Roosevelt, Franklin Delano Roosevelt grew up in Hyde Park, New York. In his youth he learned to hunt, ride horses, and sail; he also developed a lifelong commitment to conservation and a love of rural America. Roosevelt was educated at Harvard and Columbia Law School. While at Harvard, he became friends with Theodore Roosevelt’s niece Eleanor, whom he later married.

Intensely competitive, Roosevelt liked to be in control. He also liked being around people. His charming personality, deep rich voice, and wide smile expressed confidence and optimism. In short, his personality seemed made for a life in politics.

Roosevelt began his political career in 1910, when he was elected to the New York State Senate. Three years later, having earned a reputation as a progressive reformer, he became assistant secretary of the navy in the Wilson administration. In 1920 his reputation (and famous surname) helped him win the vice presidential nomination on the unsuccessful Democratic ticket.

After losing the election, Roosevelt temporarily withdrew from politics. The next year he caught the dreaded paralyzing disease polio. Although there was no cure, Roosevelt refused to give in. He began a vigorous exercise program to restore muscle control. Eventually, by wearing heavy steel braces on his legs, he was able to walk short distances by leaning on a cane and someone’s arm and swinging his legs forward from his hips.

While recovering from polio, Roosevelt depended on his wife and his aide Louis Howe to keep his name prominent in the New York Democratic Party. Eleanor Roosevelt became an effective public speaker, and her efforts kept her husband’s political career alive.

By the mid-1920s, Roosevelt was again active in the Democratic Party. In 1928 he ran for governor of New York. He campaigned hard...
to demonstrate that his illness had not slowed him down, and he narrowly won the election. Two years later he was reelected in a landslide. As governor, Roosevelt oversaw the creation of the first state relief agency to aid the unemployed.

Roosevelt’s popularity in New York paved the way for his presidential nomination in 1932. Americans saw in him an energy and optimism that gave them hope despite the tough economic times. After Roosevelt became president, his serenity and confidence amazed people. When one aide commented on his attitude, Roosevelt replied, “If you had spent two years in bed trying to wiggle your big toe, after that anything else would seem easy.”

In mid-June 1932, with the country deep in the Depression, Republicans gathered in Chicago and nominated Herbert Hoover to run for a second term as president. Later that month, the Democrats also held their national convention in Chicago. When Roosevelt won the nomination, he broke with tradition by flying to Chicago to accept it in person. His speech set the tone for his campaign:

“Let it be from now on the task of our Party to break foolish traditions. . . . It is inevitable that the main issue of this campaign should revolve about . . . a depression so deep that it is without precedent. . . . Republican leaders not only have failed in material things, they have failed in national vision, because in disaster they have held out no hope. . . . I pledge you, I pledge myself, to a new deal for the American people.”

—from The Public Papers and Addresses of Franklin D. Roosevelt

From that point forward, Roosevelt’s policies for ending the Depression became known as the New Deal. Roosevelt’s confidence that he could make things better contrasted sharply with Herbert Hoover’s apparent failure to do anything effective. On Election Day, Roosevelt won in a landslide, receiving the electoral vote of all but six states.
The Hundred Days

Upon taking office, FDR launched the New Deal by sending 15 major pieces of legislation to Congress.

Do you remember reading about the “New Nationalism” and “New Freedom”? Read how those ideas influenced New Deal legislation.

Although Roosevelt won the presidency in November 1932, the country’s unemployed and homeless had to endure another winter as they waited for his inauguration on March 4, 1933. All through the winter, unemployment continued to rise and bank runs increased, further threatening the banking system.

Some of the bank runs occurred because people feared that Roosevelt would abandon the gold standard and reduce the value of the dollar in order to fight the Depression. Under the gold standard, one ounce of gold equaled a set number of dollars. To reduce the value of the dollar, the United States would have to stop exchanging dollars for gold. Many Americans, and many foreign investors with deposits in American banks, decided to take their money out of the banks and convert it to gold before it lost its value.

Across the nation, people stood in long lines with paper bags and suitcases, waiting to withdraw their money from banks. By March 1933, more than 4,000 banks had collapsed, wiping out nine million savings accounts. In 38 states, governors declared bank holidays—closing the remaining banks before bank runs could put them out of business.

By the day of Roosevelt’s inauguration, most of the nation’s banks were closed. One in four workers was unemployed. The economy seemed paralyzed. Roosevelt knew he had to restore the nation’s confidence. “First of all,” the president declared in his Inaugural Address, “let me assert my firm belief that the only thing we have to fear is fear itself. . . . Above all, try something.”

The New Deal Begins

Roosevelt and his advisers, sometimes called the “brain trust,” came into office bursting with ideas about how to end the Depression. Roosevelt had no clear agenda, nor did he have a strong political ideology. The previous spring, during his campaign for the presidential nomination, Roosevelt had revealed the approach he would take as president. “The country needs,” Roosevelt explained, “bold, persistent experimentation . . . . Above all, try something.”

The new president began to send bill after bill to Congress. Between March 9 and June 16, 1933—which came to be called the Hundred Days—Congress passed 15 major acts to resolve the economic crisis, setting a pace for new legislation that has never been equaled. Together, these programs made up what would later be called the First New Deal.

A Divided Administration

To generate new ideas and programs, Roosevelt deliberately chose advisers who disagreed with each other. He wanted to hear many different points of view, and by setting his advisers against one another, Roosevelt ensured that he alone made the final decision on what policies to pursue.

Despite their disagreements, Roosevelt’s advisers generally favored some form of government intervention in the economy—although they disagreed over what the government’s role should be.

One influential group during the early years of Roosevelt’s administration supported the “New Nationalism” of Theodore Roosevelt. These advisers believed that if government agencies worked with businesses to regulate wages, prices, and production, they could lift the economy out of the Depression.

A second group of Roosevelt’s advisers went even further. They distrusted big business and blamed business leaders for causing the Depression. These advisers wanted government planners to run key parts of the economy.

A third group in Roosevelt’s administration supported the “New Freedom” of Woodrow Wilson. These advisers wanted Roosevelt to support “trust busting” by breaking up big companies and allowing competition to set wages, prices, and production levels. They also thought the government should impose regulations to keep economic competition fair.

What ideas did Roosevelt’s advisers support?
Banks and Debt Relief

MAIN Idea President Roosevelt took steps to strengthen banks and the stock market and to help farmers and homeowners keep their property.

HISTORY AND YOU Have you ever watched a presidential address? Read about Roosevelt's "fireside chats" and how they encouraged optimism that the economy would get better.

As the debate over policies and programs swirled around him, President Roosevelt took office with one thing clear in his mind. Very few of the proposed solutions would work as long as the nation's banks remained closed. The first thing he had to do was restore confidence in the banking system.

On his very first night in office, Roosevelt told Secretary of the Treasury William H. Woodin that he wanted an emergency banking bill ready for Congress in less than five days. The following afternoon, Roosevelt declared a national bank holiday, temporarily closing all banks, and called Congress into a special session scheduled to begin on March 9, 1933.

When Congress convened, the House of Representatives unanimously passed the Emergency Banking Relief Act after only 38 minutes of debate. The Senate approved the bill that evening, and Roosevelt signed it into law shortly afterward. The new law required federal examiners to survey the nation's banks and issue Treasury Department licenses to those that were financially sound.

On March 12 President Roosevelt addressed the nation by radio. Sixty million people listened to this first of many "fireside chats," direct talks in which Roosevelt let the American people know what he was trying to accomplish. He told people that their money would be secure if they put it back into the banks: "I assure you that it is safer to keep your money in a reopened bank than under the mattress."

When banks opened the day after the speech, deposits far outweighed withdrawals. The banking crisis was over.

Eleanor Roosevelt
1884–1962

Orphaned at age 10, Eleanor Roosevelt was raised by relatives and later attended boarding school in England. When she returned home as a young woman, she devoted time to a settlement house on Manhattan's Lower East Side. During this time, she became engaged to Franklin D. Roosevelt, a distant cousin. They were married in 1905. At their wedding, Eleanor's uncle, President Theodore Roosevelt, gave her away.

During FDR's presidency, Eleanor Roosevelt transformed the role of First Lady. Rather than restricting herself to traditional hostess functions, she became an important figure in his administration. She traveled extensively, toured factories and coal mines, and met with factory workers and farmers. She then told her husband what people were thinking. In doing so, she became FDR's "eyes and ears" when his disability made travel difficult.

Eleanor was also a strong supporter of civil rights and prodded her husband to stop discrimination in New Deal programs. When the Daughters of the American Revolution barred African American singer Marian Anderson from performing in its auditorium, Eleanor intervened and arranged for Anderson to perform at the Lincoln Memorial instead.

After FDR's death, Eleanor remained politically active. She continued to write her syndicated newspaper column, "My Day," which she began in 1936, and became a delegate to the United Nations where she helped draft the Universal Declaration of Human Rights.

How might Franklin Roosevelt's political career have been different if Eleanor had not been his wife?
The FDIC and SEC

Although President Roosevelt had restored confidence in the banking system, many of his advisers urged him to go further. They pushed for new regulations for both banks and the stock market. Roosevelt agreed with their ideas and supported the Securities Act of 1933 and the Glass-Steagall Banking Act.

The Securities Act required companies that sold stocks and bonds to provide complete and truthful information to investors. The following year, Congress created a government agency, the Securities and Exchange Commission (SEC), to regulate the stock market and prevent fraud.

The Glass-Steagall Act separated commercial banking from investment banking. Commercial banks handle everyday transactions. They take deposits, pay interest, cash checks, and lend money for mortgages. Under the Glass-Steagall Act, these banks were no longer allowed to risk depositors’ money by using it to speculate on the stock market.

To further protect depositors, the Glass-Steagall Act also created the Federal Deposit Insurance Corporation (FDIC) to provide government insurance for bank deposits up to a certain amount. By protecting depositors in this way, the FDIC greatly increased public confidence in the banking system.

Mortgage and Debt Relief

While some of Roosevelt’s advisers believed low prices had caused the Depression, others believed that debt was the main obstacle to economic recovery. With incomes falling, people had to use most of their money to pay their debts and had little left over to buy goods or services. Many Americans, terrified of losing their homes and farms, cut back on their spending to make sure they could pay their mortgages. Roosevelt responded to the crisis by introducing several policies intended to assist Americans with their debts.

The Home Owners’ Loan Corporation To help homeowners make their mortgage payments, Roosevelt asked Congress to establish the Home Owners’ Loan Corporation (HOLC). The HOLC bought the mortgages of many
homeowners who were behind in their payments. It then restructured them with longer terms of repayment and lower interest rates. Roughly 10 percent of homeowners received HOLC loans.

The HOLC did not help everyone. It made loans only to homeowners who were not farm owners and who were still employed. When people lost their jobs and could no longer make their mortgage payments, the HOLC foreclosed on their property, just as a bank would have done. Between 1933 and 1936, the three years during which it functioned as a loan source, the HOLC made loans to cover one million mortgages—one out of every ten in the United States.

**The Farm Credit Administration** Three days after Congress authorized the creation of the HOLC, it authorized the Farm Credit Administration (FCA) to help farmers refinance their mortgages. Over the next seven months, the FCA lent four times as much money to farmers as the entire banking system had the year before. It was also able to push interest rates substantially lower. These loans saved millions of farms from foreclosure.

Although FCA loans helped many farmers in the short term, their long-term value can be questioned. FCA loans helped less efficient farmers keep their land, but giving loans to poor farmers meant that the money was not available to lend to more efficient businesses in the economy. Although FCA loans may have slowed the overall economic recovery, they did help many desperate and impoverished people hold onto their land.

**Explain** How did the government restore confidence in the banking system?
Farms and Industry

MAIN Idea New Deal legislation tried to raise crop prices and stabilize industry.

HISTORY AND YOU Can you think of a product that gets more expensive when less of it is available? Read to learn how some New Deal programs tried to raise prices.

Many of Roosevelt’s advisers believed that both farmers and businesses were suffering because prices were too low and production too high. Several advisers believed competition was inefficient and bad for the economy. They favored creating federal agencies to manage the economy.

The AAA

To further help the nation’s farmers, Secretary of Agriculture Henry Wallace drafted the Agricultural Adjustment Act. President Roosevelt asked Congress to pass the act. This legislation was based on a simple idea—that prices for farm goods were low because farmers grew too much food. Under Roosevelt’s program, the government would pay some farmers not to raise certain livestock, and not to grow certain crops. Some farmers were also asked not to produce dairy products. As the program went into effect, farmers slaughtered 6 million piglets and 200,000 sows and plowed under 10 million acres of cotton—all in an effort to raise prices. The program was administered by the Agricultural Adjustment Administration (AAA).

Over the next two years, farmers withdrew millions more acres from cultivation and received more than $1 billion in support payments. The program accomplished its goal: the farm surplus fell greatly by 1936. Food prices then rose, as did total farm income, which quickly increased by more than 50 percent.

In a nation caught in a Depression, however, raising food prices drew harsh criticism. Furthermore, not all farmers benefited. Large commercial farmers who concentrated on one crop profited more than smaller farmers who raised several products. Worse, thousands of poor tenant farmers, many of them African Americans, became homeless and jobless when landlords took their fields out of production.

The TVA

The Tennessee Valley Authority (TVA) was a New Deal project that produced visible benefits. The TVA built dams to control floods, conserve forest lands, and bring electricity to rural areas.

Today, TVA power facilities include 17,000 miles of transmission lines, 29 hydroelectric dams, 11 fossil-fuel plants, 4 combustion-turbine plants, 3 nuclear power plants, and a pumped-storage facility. These combine to bring power to nearly 8 million people in a seven-state region.

Since 1998, the TVA has been working to reduce air pollution. Projects are designed to cut harmful emissions released into the air. The TVA is committed to developing programs that protect the environment.
The NRA

The government turned its attention to manufacturing in June 1933, when Roosevelt and Congress enacted the National Industrial Recovery Act (NIRA). The NIRA suspended antitrust laws and allowed business, labor, and government to cooperate in setting up voluntary rules for each industry.

These rules were known as codes of fair competition. Some codes set prices, established minimum wages, and limited factories to two shifts per day so that production could be spread to as many firms as possible. Other codes shortened workers’ hours, with the goal of creating additional jobs. Another provision in the law guaranteed workers the right to form unions. The codes also helped businesses develop codes of fair competition within industries.

Under the leadership of Hugh Johnson, the National Recovery Administration (NRA) ran the entire program. Business owners who signed code agreements received signs displaying the National Recovery Administration’s symbol—a blue eagle—and the slogan, “We Do Our Part.” The NRA had limited power to enforce the codes, but urged consumers to buy goods only from companies that displayed the blue eagle.

The NRA did revive a few American industries, but its gains proved short-lived. Small companies complained, justifiably, that large corporations wrote the codes to favor themselves. American employers disliked codes that gave workers the right to form unions and bargain collectively over wages and hours. They also argued that paying high minimum wages forced them to charge higher prices to cover their costs.

The codes were also difficult to administer, and business leaders often ignored them. Furthermore, businesses could choose not to sign code agreements and thus not be bound by their rules. It became obvious that the NRA was failing when industrial production actually fell after the organization was established. By the time the Supreme Court declared the NRA unconstitutional in 1935, it had already lost much of its political support.

Examining What were the goals of the Agricultural Adjustment Act and the National Industrial Recovery Act?
Relief Programs

**MAIN Idea** Programs such as the CCC, the PWA, and the WPA provided jobs for some unemployed workers.

**HISTORY AND YOU** Do you know who built your school, post office, or playground? Read about the projects completed by the New Deal workers.

While many of President Roosevelt’s advisers emphasized tinkering with prices and providing debt relief to solve the Depression, others maintained that its **fundamental** cause was low consumption. They thought getting money into the hands of needy individuals would be the fastest remedy. Because neither Roosevelt nor his advisers wanted simply to give money to the unemployed, they supported work programs for the unemployed.

**The CCC**

The most highly praised New Deal work relief program was the **Civilian Conservation Corps** (CCC). The CCC offered unemployed young men 18 to 25 years old the opportunity to work under the direction of the forestry service planting trees, fighting forest fires, and building reservoirs. To prevent a repeat of the Dust Bowl, the workers planted a line of more than 200 million trees, known as a Shelter Belt, from north Texas to North Dakota.

The young men lived in camps near their work areas and earned $30 a month, $25 of which was sent directly to their families. The average CCC worker returned home after six to twelve months, better nourished and with greater self-respect. CCC programs also taught more than 40,000 of its recruits to read and write. By the time the CCC closed down in 1942, it had put 3 million young men to work outdoors—including 80,000 Native Americans, who helped to reclaim land they had once owned. After a second Bonus Army March on Washington in 1933, Roosevelt added some 250,000 veterans to the CCC as well.

**FERA and the PWA**

A few weeks after authorizing the CCC, Congress established the Federal Emergency Relief Administration (FERA). Roosevelt chose
Harry Hopkins, a former social worker, to run the agency. FERA did not initially create projects for the unemployed. Instead, it channeled money to state and local agencies to fund their relief projects.

Half an hour after meeting with Roosevelt to discuss his new job, Hopkins set up a desk in the hallway outside of his office. In the next two hours, he spent $5 million on relief projects. When critics charged that some of the projects did not make sense in the long run, Hopkins replied, “People don’t eat in the long run—they eat every day.”

In June 1933 Congress authorized another relief agency, the Public Works Administration (PWA). One-third of the nation’s unemployed were in the construction industry. To put them back to work, the PWA began building highways, dams, sewer systems, schools, and other government facilities. In most cases, the PWA did not hire workers directly but instead awarded contracts to construction companies. By insisting that contractors not discriminate against African Americans, the agency broke down some of the long-standing racial barriers in the construction trades.

The CWA

By the fall of 1933 neither FERA nor the PWA had reduced unemployment significantly. Hopkins realized that unless the federal government acted quickly, a huge number of unemployed citizens would be in severe distress once winter began. After Hopkins explained the situation, President Roosevelt authorized him to set up the Civil Works Administration (CWA).

Unlike the PWA, the CWA hired workers directly. That winter the CWA employed 4 million people, including 300,000 women. Under Hopkins’s direction, the agency built or improved 1,000 airports, 500,000 miles of roads, 40,000 school buildings, and 3,500 playgrounds and parks. The cost of the CWA was huge—the program spent nearly $1 billion in just five months.

Although the CWA helped many people get through the winter, President Roosevelt was alarmed by how quickly the agency was spending money. He did not want Americans to get used to the federal government providing them with jobs. Warning that the CWA would “become a habit with the country,” Roosevelt insisted that it be shut down the following spring.

Success of the First New Deal

During his first year in office, Roosevelt convinced Congress to pass an astonishing array of legislation. The programs enacted during the first New Deal did not restore prosperity, but they reflected Roosevelt’s zeal for action and his willingness to experiment. Banks were reopened, many more people retained their homes and farms, and more people were employed. Perhaps the most important result of the first New Deal was a noticeable change in the spirit of the American people. Roosevelt’s actions had inspired hope and restored Americans’ faith in their nation.

Identifying What types of projects did public works programs undertake?
The First New Deal

When FDR took office in 1933, the economy had been getting worse for more than three years. During the first one hundred days of his presidency, he oversaw 15 major pieces of legislation that attempted to revive the nation’s economy and provide relief to the unemployed. Never before had the federal government intervened so directly in the economy. Key to stopping the economic downslide was FDR’s ability to inspire confidence that the nation’s economic problems could be solved.

Study these primary sources and answer the questions that follow.

Inaugural Address, 1933

“I am certain that my fellow Americans expect that on my induction into the Presidency I will address them with a candor and a decision which the present situation of our nation impels. This is pre-eminently the time to speak the truth, the whole truth, frankly and boldly. . . .

“So, first of all, let me assert my firm belief that the only thing we have to fear is fear itself—nameless, unreasoning, unjustified terror which paralyzes needed efforts to convert retreat into advance. In every dark hour of our national life a leadership of frankness and vigor has met with that understanding and support of the people themselves which is essential to victory. I am convinced that you will again give that support to leadership in these critical days. . . .

“This Nation asks for action, and action now.

“Our greatest primary task is to put people to work. This is no unsolvable problem if we face it wisely and courageously. It can be accomplished in part by direct recruiting by the Government itself, treating the task as we would treat the emergency of a war, but at the same time, through this employment, accomplishing greatly needed projects to stimulate and reorganize the use of our natural resources.”

—President Franklin D. Roosevelt, first inaugural address, delivered March 4, 1933

Excerpted from The Public Papers and Addresses of Franklin D. Roosevelt

Oral History Interview

“During the whole ’33 one-hundred days’ Congress, people didn’t know what was going on, the public. Couldn’t understand these things that were being passed so fast. They knew something was happening, something good for them. They began investing and working and hoping again. . . .

“A Depression is much like a run on a bank. It’s a crisis of confidence. People panic and grab their money.”

—Raymond Moley, original member of FDR’s “brains trust”


Magazine Cover, 1933

“The Faces of Victory and Defeat,” portrayal of Herbert Hoover and Roosevelt on inauguration day, March 4, 1933
Oral History Interview

“What Roosevelt and the New Deal did was to turn about and face the realities. . . . A hundred years from now, when historians look back on it, they will say a big corner was turned. People agreed that old things didn’t work. What ran through the whole New Deal was finding a way to make things work.

“Before that, Hoover would loan money to farmers to keep their mules alive, but wouldn’t loan money to keep their children alive. This was perfectly right within the framework of classical thinking. If an individual couldn’t get enough to eat, it was because he wasn’t on the ball. It was his responsibility. The New Deal said: Anybody who is unemployed isn’t necessarily unemployed because he’s shiftless.”

—Economist Gardiner C. Means, economic adviser in the Roosevelt administration